

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00  
SSO-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03  
PA-01 SP-02 SS-15 AID-05 TRSE-00 OMB-01 IO-13  
HA-05 MCT-01 COME-00 EB-08 FRB-03 XMB-02 OPIC-03  
LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 /113 W  
-----015173 181048Z /11

O 181012Z MAY 78  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC IMMEDIATE 4633

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 05516

E.O. 11652: XGDS-1  
TAGS: PINT, SP  
SUBJECT: MINISTER OF TRANSPORT SALVADOR SANCHEZ-TERAN  
ON THE CURRENT SPANISH POLITICAL PANORAMA AND PROSPECTS

1. I HAD AN HOUR'S TOUR D'HORIZON MAY 17 WITH SANCHEZ-TERAN ON THE PRESENT AND PROSPECTIVE FUTURE POLITICAL SITUATION. ALTHOUGH HE IS NOW MINISTER OF TRANSPORT, HE CONTINUES A PART OF THE INNER CIRCLE OF THE GOVERNMENT ON POLITICAL MATTERS -- HE IS ONE OF A NUMBER OF MINISTERS ON THE NEW EXECUTIVE COMMITTEE OF THE UCD (MADRID 5321) -- AND HE HAD JUST COME BACK FROM SPENDING THE WEEKEND PARTICIPATING IN THE UCD POLITICAL CAMPAIGN IN ALICANTE. HIS VIEWS FOLLOW IN SUMMARY.

2. THE CONSTITUTION. THE LEGISLATURE WILL BE KEPT IN SESSION UNTIL ITS CONSIDERATION OF THE CONSTITUTION IS COMPLETED, POSSIBLY TOWARD THE END OF JULY. IT IS DOUBTFUL THAT THERE WILL BE ANY REAL HANG-UPS IN VIEW OF THE THOROUGH DEBATE THAT ALL ARTICLES OF THE CONSTITUTION HAVE ALREADY HAD. COMPLETION OF LEGISLATIVE CONSIDERATION OF THE CONSTITUTION IN MID-SUMMER WILL MEAN THAT THE REFERENDUM ON THE CONSTITUTION WILL PROBABLY  
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OCCUR IN OCTOBER. WITH A SUCCESSFUL REFERENDUM THE GOVERNMENT WILL HAVE ACHIEVED TWO MAJOR SUCCESSES SINCE THE ELECTIONS OF JUNE 1977, A SUBSTANTIAL IMPROVEMENT IN THE ECONOMY AND THE ADOPTION OF A CONSENSUS CONSTITUTION ACCEPTED BY ALL MAJOR POLITICAL FORCES.

3. THE POLITICAL CALENDAR. NO FINAL DECISION HAS BEEN

MADE ON THIS AND NONE WILL BE MADE UNTIL IT IS CLEAR WHAT THE POLITICAL SITUATION IS AFTER THE CONSTITUTIONAL REFERENDUM. SANCHEZ-TERAN'S OWN RECOMMENDATION AT THIS TIME WOULD BE THAT MUNICIPAL ELECTIONS BE HELD IN FEBRUARY OR MARCH OF 1979, BUT GENERAL LEGISLATIVE ELECTIONS POSTPONED UNTIL 1980 OR 1981 ON THE PREMISE THAT THERE IS NOTHING TO FORCE THE GOVERNMENT TO HOLD THEM EARLIER AND ITS POSITION WILL BE STRONGER LATER BECAUSE THE ECONOMY WILL HAVE IMPROVED FURTHER AND UCD PARTY ORGANIZATION WILL BE STRONGER.

4. UCD ORGANIZATION. SANCHEZ-TERAN SAID IT WAS UNFORTUNATE THAT THE POSITION OF UCD COORDINATOR HAD BEEN LEFT VACANT FOR TWO MONTHS AFTER HIS APPOINTMENT AS MINISTER OF TRANSPORT, BUT NOW THAT FAULT HAD BEEN REMEDIED AND THERE WAS A STRONGER UCD EXECUTIVE COMMITTEE THAT INCLUDED THE MAJOR POLITICALLY ORIENTED MINISTERS. HE EXPECTED THE UCD WOULD HOLD ITS CONGRESS IN SEPTEMBER AND IF RAFAEL ARIAS SALGADO DID WELL IN THE MEANTIME HE WOULD THEN BE ELECTED SECRETARY GENERAL. IF NOT, A MINISTER WOULD BE ELECTED TO THAT POSITION. SANCHEZ-TERAN ESTIMATED UCD MEMBERSHIP AS CURRENTLY BEING ABOUT 60,000. HE HOPED IT WOULD REACH 100,000 BY THE TIME OF MUNICIPAL ELECTIONS AND 200,000 BY THE TIME OF GENERAL ELECTIONS.

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5. OTHER POLITICAL PARTIES. HE THOUGHT IT IMPORTANT THAT THE PSOE DEVELOP INTO A RESPONSIBLE ALTERNATIVE TO THE UCD. HE WELCOMED THE SOCIAL DEMOCRATIC SOUNDS RECENTLY BEING MADE BY FELIPE GONZALEZ EVEN THOUGH THEY WERE VERY CAREFULLY HEDGED, BUT THOUGHT IT WOULD TAKE SOME TIME -- HE SAID PERHAPS AS MUCH AS TEN YEARS -- BEFORE THE PSOE COULD REALLY EVOLVE INTO A FIRMLY DEMOCRATIC PARTY THAT COULD BE TRUSTED WITH GOVERNMENT RESPONSIBILITY. IT WAS VERY IMPORTANT FOR SPAIN, HOWEVER, THAT THIS OCCUR. OF COURSE, THE UCD WOULD ALWAYS CAMPAIGN STRONGLY AGAINST THE PSOE, BUT HE ALSO ALWAYS REMINDED HIS UCD COMPANIONS THAT THE PCE, NOT THE PSOE, WAS ITS REAL ENEMY. HE DISMISSED BOTH THE AP AND THE ACL (EX-FONMIN AREILZA'S NEWLY LAUNCHED GROUP) AS SIGNIFICANT POLITICAL FACTORS FOR THE IMMEDIATE FUTURE. FRAGA MIGHT RETURN AS AN IMPORTANT NATIONAL FIGURE ONE DAY, BUT HE HAD MADE A BASIC POLITICAL MISTAKE BEFORE THE ELECTIONS OF LAST JUNE AND WOULD PAY FOR IT FOR A LONG TIME.

6. PRINCIPAL ISSUES AFTER THE CONSTITUTIONAL REFERENDUM. OTHER THAN THE ELECTIONS CALENDAR, THESE WOULD BE IN

ORDER OF PRIORITY: THE BASQUE COUNTRY PROBLEM, LABOR,  
THE ECONOMY AND CERTAIN BASIC LEGISLATION. REGARDING  
THE BASQUE COUNTRY HE DID NOT GIVE MUCH WEIGHT TO THE  
CURRENT TARRADELLAS-LEIZAOLA CONVERSATIONS, AND HE DOUBTED  
THEY WERE INSPIRED BY THE KING AS SPECULATED IN THE PRESS.  
(LATER PRESS ARTICLES HAVE CARRIED DENIALS OF THIS  
SPECULATION.) HE SAID LEIZAOLA WAS NOT A MAN OF STATURE  
NOR A PERSON WITH HIS FEET ON THE GROUND. TARRADELLAS  
HIMSELF HAD SAID THIS TO HIM SOME MONTHS AGO. THEREFORE  
HE WAS PERPLEXED AT TARRADELLAS' CURRENT INITIATIVE.  
HE ESTIMATED CURRENT ETA TERRORISTS AT ONLY 60 OR 70  
PEOPLE. HE DID NOT THINK THERE WAS ANY POSSIBILITY  
OF NEGOTIATING WITH THEM. HE SAID THAT ONE OF THE MOST  
EXTREME BASQUE POLITICIANS, CORTES MEMBER BANDRES, HAD  
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FM AMEMBASSY MADRID  
TO SECSTATE WASHDC IMMEDIATE 4634

C O N F I D E N T I A L SECTION 02 OF 02 MADRID 05516

TOLD HIM THAT HE AND SOME OTHER BASQUE LEFT-WINGERS HAD  
MADE AN ATTEMPT TO NEGOTIATE AN AGREEMENT ON MODERATION  
WITH ETA EXTREMISTS BUT HAD BEEN UNABLE TO GET ANY  
COMMITMENT. IF PEOPLE LIKE BANDRES COULD NOT SUCCEED THERE  
SEEMED LITTLE HOPE THAT THE GOVERNMENT COULD. THEREFORE  
PERHAPS THE ONLY HOPE WAS GRADUAL ATRITION THROUGH POLICE  
PRESSURE. SANCHEZ-TERAN WAS RELUCTANT TO ACCEPT THE IDEA  
OF BASQUE-CONTROLLED POLICE FORCES SIMPLY BECAUSE HE WAS

CONCERNED ABOUT THE BASQUE INDEPENDENCE INSTINCTS.

7. SANCHEZ-TERAN THOUGHT THAT THE POLITICAL STRUCTURE OF LABOR WAS ALMOST AS IMPORTANT OVER THE LONGER TERM AS POLITICAL PARTY ORGANIZATION, IF NOT MORE SO. THE STRENGTH IN LABOR OF THE COMISIONES OBRERAS AND THE UGT WAS VERY WORRISOME. HE AND ARTURO MOYA HAD DONE SOME WORK, BUT NOT MUCH, WITH THE SO-CALLED INDEPENDENT UNIONS. MOYA'S NEW ASSIGNMENT AS HEAD OF AN INSTITUTE TO PROMOTE UCD LABOR RELATIONS WAS POTENTIALLY VERY IMPORTANT.

8. THE ECONOMIC PROGRAM HAD BEEN VERY SUCCESSFUL THUS FAR. APRIL, MAY AND JUNE INFLATION FIGURES WOULD BE HIGHER THAN THOSE OF THE FIRST QUARTER OF THE YEAR  
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BECAUSE OF AGRICULTURAL, ENERGY AND STEEL PRICE INCREASES BUT PROBABLY WOULD NOT LEAD TO A TOTAL OF MORE THAN 9 OR 10 PERCENT INFLATION IN THE FIRST HALF OF 1978, WHICH WOULD MEAN THAT IT WOULD STILL BE POSSIBLE TO ACHIEVE A TOTAL OF ONLY 16 PERCENT FOR THE YEAR, SINCE THE RATE OF INCREASE SHOULD DECLINE IN THE SECOND SIX MONTHS OF THE YEAR. IT WAS VERY IMPORTANT TO OBTAIN A NEW AGREEMENT IN THE LATTER PART OF THE YEAR ON WAGE RESTRAINT WITH THE OBJECTIVE OF REDUCING INFLATION TO AROUND 10 PERCENT IN 1979.

9. THERE WAS A GREAT DEAL OF BASIC LEGISLATION THAT WOULD BE IN ORDER AFTER THE APPROVAL OF THE CONSTITUTION, INCLUDING A BILL OF RIGHTS AND AUTONOMY LEGISLATION. WITH REGARD TO THE LATTER, HOWEVER, HE ADVOCATED MOVING SLOWLY TO LET REGIONAL ADMINISTRATIVE APPARATUSES MATURE.

10. BY-ELECTIONS. HE WAS PROUD OF THE WAY THE UCD CAMPAIGN IN ALICANTE HAD BEEN RUN AND THOUGHT THAT ALTHOUGH THE PSOE HAD ENTERED THE CAMPAIGN WITH SEVERAL PERCENTAGE POINTS' ADVANTAGE IT WAS CONCEIVABLE THAT IF THE VOTER TURNOUT WAS HIGH (AROUND 70) THE UCD MIGHT WIN THERE. IF THE VOTER TURNOUT WAS SIGNIFICANTLY LOWER THAN 70 PERCENT THE PSOE PROBABLY WOULD WIN. IN ASTURIAS, ALTHOUGH THE UCD HAD CLOSED THE GAP SOMEWHAT DURING THE CAMPAIGN, HE EXPECTED THE PSOE TO WIN.

11. COMMENT. SANCHEZ-TERAN'S REMARKS GENERALLY SHOW RESPONSIBLE CONCERN FOR REAL PROBLEMS, ALTHOUGH ON SOME POINTS THEY CLEARLY REFLECTED HIS POSITION AS A LOYAL MEMBER OF THE SUAREZ TEAM AND FORMER UCD ORGANIZATION SECRETARY. HIS EXPECTATIONS AND DESIRES REGARDING THE ELECTORAL CALENDAR ARE REPRESENTATIVE OF MAINSTREAM UCD THINKING, BUT IT SHOULD BE CLEAR (AS HE HIMSELF

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INDICATED) THAT THE COURSE OF EVENTS, INCLUDING THE  
POSSIBLE ADOPTION BY OTHER POLITICAL FORCES OF STRONG  
FEELINGS IN THIS REGARD, COULD IMPOSE A CHANGE IN ONE  
RESPECT OR ANOTHER. END COMMENT. EATON

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